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FM AMEMBASSY LIMA  
TO RUEHC/SECSTATE WASHDC 9798  
INFO RUEHWH/WESTERN HEMISPHERIC AFFAIRS DIPL POSTS  
RUCPDO/DEPT OF COMMERCE WASHINGTON DC  
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SIPDIS

COMMERCE FOR 4331/MAC/WH/MCAMERON  
TREASURY FOR MEWENS  
USTR FOR BHARMAN AND MCARRILLO

E.O. 12958: N/A

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SUBJECT: DECEMBER TRADE AND INVESTMENT BRIEFS

SUMMARY

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[1](#)1. This is an update on the following trade and investment news from Peru:

Trade

- The EU Initiates Bilateral Trade Talks with Peru
- Mexico and Peru Expand Ace No. 8
- The Global Financial Crisis and Exports to the US
- Ministry of Transportation to Ban Import of Used Cars
- Toy Exports Increased 42% Over 2007

Investment

- 3M Purchases Peruvian Company
- Wal-Mart to Enter Peruvian Market
- Peru: An Attractive Market for Chilean Software Companies
- Chilean Retail Store Foresees Continued Growth

THE EU INITIATES BILATERAL TRADE TALKS WITH PERU

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[1](#)2. The Member States of the European Union granted authorization to move forward with bilateral trade talks with Peru and Colombia. The next step will be for the negotiators to meet, most likely next month in Brussels, to outline the mechanics of negotiations. Negotiations are tentatively scheduled for February in Bogota, March or April in Brussels, and a third possibly in Lima. The President of the European Commission hopes to conclude negotiations by June [1](#)2009.

MEXICO AND PERU EXPAND ACE NO. 8

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[1](#)3. Mexico and Peru announced the implementation of the Ninth Additional Protocol of the Agreement on Economic Complementation (ACE) No. 8. The agreement will expire on December 31, 2009. Mexico and Peru will continue to move towards a comprehensive trade agreement.

THE GLOBAL FINANCIAL CRISIS AND EXPORTS TO THE US

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[1](#)4. The Peru Export and Tourism Board, PROMPERU, conducted a study on the impact of the global financial crisis on Peruvian exports to the United States. The study found that many exporters have already begun to redirect their products to other markets and/or focus on niche markets in the United States. For some exporters, this action began in December 2007, as a preventative measure and for others it

has been a necessity to remain in business. The study identified five sectors facing potential risk: Non-metal minerals; wood and paper; fish and agriculture; non-traditional agrarian; and, ready-made clothing.

15. The study found that the wood sector has adjusted to the crisis by diversifying its market and focusing on a niche market. In 2006, Peru exported 28% of its wood products to the United States compared to 14% as of August 2008. Additionally, manufacturers offer premium products to the US market, such as specialty hurricane strength doors which sell on average for \$10,000. Previously, exporters sold raw materials. Another example cited in the study involved the agricultural sector. Prior to the crisis, the asparagus industry sold large volumes of fresh asparagus to restaurants. With fewer people eating in restaurants, the demand for fresh asparagus decreased by 9%; however, the demand for canned asparagus sold in supermarkets has increased by 55%.

16. In the ready-made clothing sector, the industry diversified its markets to include Europe, Japan, and China. The industry established solid markets in Chile, Ecuador, and Venezuela as well. As a result, approximately 19% of total exports in the sector are destined for the United States, in comparison to Ecuador and Colombia who export approximately 40-50% of their products to the United States.

#### MINISTRY OF TRANSPORTATION TO BAN IMPORT OF USED CARS

17. The Ministry of Transportation seeks to permanently ban the import of used cars citing security and environmental concerns. Congress recently extended the importation of used cars until 2010. The original date for the ban to take effect was January 2009.

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Concerned that Congress may extend the date of importation of used cars again, the Ministry of Transportation and Communications (MTC) announced that it will send a new bill to Congress to ensure that the ban becomes final as of December 2010. Congress banned as of January 1, 2009, used vehicles with compression-ignition engines (diesel and others).

#### TOY EXPORTS INCREASED 42% OVER 2007

18. The Association for Exporters (ADEX) announced a 42% increase in toy exports over the same period in 2007. The primary destinations for the toys are Bolivia (32%), United States (22%), Ecuador (19%), Chile (14%), Italy, Switzerland, Portugal, and Japan. The majority of the toys are produced in Tacna, Lima, Arequipa, Puno, and Ica.

#### 3M PURCHASES PERUVIAN COMPANY

19. 3M announced that it has acquired ABRASIVOS S.A., a manufacturer of coated abrasives in Peru. ABRASIVOS sells its products under the ASA brand. ABRASIVOS has more than 40 years of experience in all phases of coated abrasives production and converting. "Investing in a local company from the industrial sector expands our product portfolio and will allow us to better support our customers in Peru," commented Miguel Rios, regional managing director, 3M Peru. ABRASIVOS employs approximately 140 people and is headquartered in Lima.

#### WAL-MART TO ENTER PERUVIAN MARKET

110. Wal-Mart Stores, Inc. announced its intention to take over the Chilean retail chain, Distribucion y Servicio D&S S.A. According to Craig Herkert, President and CEO, the Americas, Wal-Mart International, "This investment demonstrates our deep respect for D&S, which has a long history of providing the best value to Chilean consumers. We share a laser focus on price leadership just as we do in Wal-Mart's 10 retail markets throughout the Americas. Both companies also have the same core values and business philosophies: respect for the individual, service to the customer and striving for excellence." D&S had already planned to expand in Peru; with the takeover this will mark the entry of Wal-Mart to Peru. The Peruvian market will benefit with increased competition in the retail sector.

## PERU: AN ATTRACTIVE MARKET FOR CHILEAN SOFTWARE COMPANIES

¶11. Chilean software companies consider Peru an attractive market due to its proximity to Chile and economic growth of the past several years. The Chilean Software and Services Association recently hosted a seminar for business owners on how to do business in Peru.

## CHILEAN RETAIL STORE FORESEES CONTINUED GROWTH

¶12. The Chilean department store chain, Ripley, expects to see a 15-17% growth in its 2008 sales figures over 2007. The Christmas season represents 30% of the store's total sales for the year. The company plans to expand retail stores in Lima and to the provinces, currently retail stores are located in Lima with one store in Trujillo. The company has advanced on negotiations to open additional stores in Arequipa, Chiclayo, and Piura.

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